Guidance for Recovering Facilities and Administrative Costs for University Administered Sponsored Grants, Agreements, and Contracts

Responsible Department: The Office of Research and Sponsored Programs

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November 1, 2014
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I. Purpose

This guidance document outlines the University of Northern Iowa's procedures for recovering facilities and administrative costs when applying for any external funding that is administered by the Office of Research and Sponsored Programs (RSP), including but not limited to grants, memoranda of understanding, cooperative agreements, and contracts. It is expected that all faculty and staff who pursue and receive external funds that are administered by RSP will comply with the conditions put forward in this document.

II. Definition

Facilities and Administrative (F&A) costs are real costs necessary for the University's general operations and support of sponsored projects, but cannot be directly associated with or charged to a specific grant or contract. F&A expenses include facility maintenance costs, depreciation or use allowance costs for buildings and equipment, utility costs, library expenses, telephone and communications infrastructure, research and sponsored programs administration, and general department administration. F&A costs are also known as indirect or administrative costs.

F&A costs associated with sponsored projects are recovered by applying a negotiated percentage rate to the budget of a sponsored project. The F&A rate is computed on the basis of actual costs incurred by the institution using costing rules and regulations set forth by the U.S. Office of Management and Budget (OMB). The UNI F&A rate is periodically negotiated with the institution's cognizant Federal agency, the U.S. Department of Health and Human Services, and represents the average amount of F&A costs that are incurred for each direct dollar spent implementing a sponsored project. Because the university has already incurred the expenses to support the sponsored project, F&A costs are *reimbursed* to UNI by a sponsor that pays F&A costs.

III. Guidance Statement

UNI always strives to recover the full negotiated federal F&A rate from all sponsors regardless of whether or not the sponsor is a federal, state, or other entity unless one of the exceptions highlighted in Sections VIII & IX of this document applies. All voluntary reductions in F&A rates must be approved in advance by the Office of Research and Sponsored Programs.

IV. F&A Regulation and Guidance

Federal costing rules and regulations, as set forth by the OMB, referred to as the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (also called "Uniform Guidance") are found in 2 C.F.R. Parts 200, 215, 220, 225 and 230.

V. Federally Negotiated F&A Cost-Reimbursement Rates

The Office of Research and Sponsored Programs maintains a copy of UNI's current federal F&A rate agreement on the RSP website, https://rsp.uni.edu.

UNI Facilities and Administrative Cost Rates (Effective: July 2025-June 2029) are:

On-Campus Programs: 36.70% of Modified Total Direct Costs (MTDC)
Off-Campus Programs: 14.80% of MTDC

VI. Definition of Off-Campus

The Off-Campus rate will apply for all activities: a) Performed in facilities not owned by the institution *and* where these facility costs are not included in the F&A pools; *and* b) Where the facility cost (rent) is or maybe directly allocated/charged to the project(s). Grants or contracts will not be subject to more than one F&A cost rate. If more than 50% of a project is performed off-campus as described above, the off-campus rate will apply to the entire project.

VII. Bases for Calculating Facilities and Administrative Costs

UNI's federal F&A rate agreement specifies the use of modified total direct costs (MTDC) as the base to which the F&A rate is charged. Specific sponsors and programs may require alternate bases.

MTDC, as defined by UNI's federal F&A rate agreement, is the total direct costs (TDC) minus:

- Capital expenditures (buildings)
- Capital equipment (≥ $10,000)
- Subawards amounts greater than $50,000
- Rental costs of off-site facilities
- Student tuition remission
- Scholarships and fellowships
- Patient care costs
- Participant costs (not research subject expenses)

Please Note: If an F&A rate that is less than UNI's federally approved F&A rate (a reduced F&A rate) is used, UNI charges the reduced F&A rate to the project's TDC unless the sponsor specifically prohibits applying the reduced F&A rate to the TDC and/or provides specific guidance for developing the MTDC that the reduced F&A rate will be applied to.

VIII. F&A for Contract vs Grant Projects

It is the policy of the State of Iowa and the Board of Regents that the University of Northern Iowa and other Regent institutions shall not engage in competition with private enterprise unless the activity will assist in the education, research, extension, or service mission of the institutions. Per UNI Policy 9.26 *Competition with the Private Sector* the University must ensure that when engaging in activities that are also performed by the private sector it is not unfairly competing by using publicly sourced resources to its advantage. As such when UNI is pursuing contracts, which are agreement vehicles used to carry out the provision of goods and services for external entities (as opposed to grants, which primarily benefit the University and its mission), it is the policy of RSP that the federally approved F&A rate be applied at all times so as to recover the full cost of providing the goods and/or services. If a F&A rate is used that is less than the federally approved rate the University is functionally financially subsidizing the project using state allocated and tuition funds. Exceptions can be made using the guidance in Section IX of this document, particularly with regard to Section IX paragraph 2. However, the exceptions of Section IX shall not be immediately used when working with Iowa Governmental Entities unless the source funding is known.

IX. Exceptions to Using the Federally Negotiated F&A Rate

Some external funding entities limit the F&A rate that UNI can charge to sponsored projects. In these cases UNI may accept the lower rate if one or more of the following circumstances outlined below apply. These exceptions do not require a prior approval:

1. *Lower Published F&A Rate*: To be acceptable, the published F&A rate must appear in the funding entity's written guidelines (request for proposal, request for application, broad agency announcement, or other published guidelines), be published on their web site, or be confirmed in writing by their grants office. A rate reduction requested by a program officer or agency staff person does not qualify as an entity's published F&A rate. The lower rate must apply universally to all proposals submitted for that particular program or that agency (not solely to UNI's proposal). The PI/PD must furnish evidence of the published rate by the time the proposal budget is submitted to UNI preaward staff for initial review. If such documentation cannot be provided, the PI/PD must include UNI's full applicable F&A rate in the proposal.

2. *Iowa Governmental Entities*: In some circumstances, applying a reduced F&A rate of 8% may be appropriate. However, the 8% F&A rate is only applied when UNI cannot recover a higher rate and when the following criteria are met:

   - ✓ The sponsor must be an Iowa municipality, county, or state agency/entity;

     AND,

   - ✓ UNI faculty/staff are not named in a joint funding proposal by UNI and the agency/entity to an outside funding source that allows for full F&A recovery;

     AND,

- ✓ Two of the following three criteria are met:

    a. RSP-negotiated F&A rate with the sponsor does not exist;

    b. The source funding does not include federal funds, OR, if federal funding is included, UNI is not eligible to apply independently for the federal funds;

    c. The agency/entity limits F&A recovery in the Request for Proposals guidelines.

3. *Program Limits F&A*: When the sponsored project is an agency-designated "training grant," such as the U.S. Department of Education's training grant programs, a reduced F&A rate is allowable.

4. *Transfer of Award to UNI from Another Institution*: When an award is transferred to UNI from another institution/entity RSP will adjust the F&A rate, if necessary, so that the project's available direct costs at UNI are equal to those that would have been available at the transferring entity at the time the project was transferred. The transferring entity's RSP office or equivalent must provide UNI's RSP with a final financial statement and the applied F&A rate prior to the transfer.

X. Requesting a Voluntary F&A Cost Reduction

Voluntary F&A reductions mean that the University's general funds and/or student tuition dollars are subsidizing the externally sponsored project. Only projects that have a substantial, lasting, and clearly identifiable net positive impact on the entire University and its students should be considered for a voluntary F&A reduction.

If none of the stated exceptions apply, but the PI/PD believes there is justification for a rate reduction, the PI/PD must formally request a voluntary F&A rate reduction using the Voluntary Rate Reduction Request Form, which is available by request from RSP or on the RSP website. F&A rate reduction requests are considered on a case-by-case basis.

The F&A rate for agreements that are renewed or continued by amendment are not subject to this policy. The F&A rates for projects that are renewed or continued with a new agreement are subject to this policy. The RSP office has the authority to waive policy compliance reviews at the time of renewal/continuation depending on the agreement duration and renewal/continuation structure.

Only staff from RSP have the authority to negotiate F&A rates with external funding entities, including but not limited to government agencies, companies, industrial groups, or other organizations unless a formal authorization is granted to the PI/PD by RSP to do so.

XI. Process for Requesting a Voluntary F&A Reduction

1) Consult with RSP preaward staff to verify that the proposed project is not subject to any of the exceptions and that a voluntary rate reduction might be appropriate.
2) Complete the Voluntary Rate Reduction Request Form and circulate for approval.
3) Attach the completed Voluntary Rate Reduction Request Form to the PRAF.
4) The Associate Vice President for Research may approve or deny the reduction request or forward the request to the Provost and VP for Academic Affairs for consideration.
5) If approved, the PI/PD should proceed with budget development using the approved F&A rate, and continue through the standard RSP budget review and approval process for all submissions.

XII. Unacceptable Reasons for Voluntary F&A Reductions

- Requests made solely because an award does not provide adequate direct costs for completion of the full scope of the project;
- A reduction will create inequitable treatment of any UNI researchers applying to the same sponsor, program or competition;
- A reduction would give UNI an unfair advantage in a contract bid;
- The PI/PD forgot/did not know that F&A was needed or that prior approval was required. In these cases, the sponsor will be expected to pay the applicable F&A rate or the PI/PD's department will be responsible for unrecovered F&A costs; or
- Reduction based on precedent.